Selling Strategies

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RJR IS . . . .

Profit Effective Selling

A Strategy for the 1990's

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RJR Profit Effective Selling

Industry

◆ Profitability down
- Price rollback
- Continuing mix shift between tiers

◆ Spending down
- Merchandising/RDA's
- Promotion/Marketing
- Trade Development support

Trade

◆ Volume shift from traditional formats

◆ "Buying" strategies no longer ensure profitability

◆ Must focus on "selling" strategies and Category Management
- SKU/Inventory Management
- Pricing (both competitive and price tier)
- Promotion (traffic and business building)

◆ Need a long-term strategy for cigarettes

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RJR Profit Effective Selling

RJR

◆ Resources restricted - can't do everything,
everywhere

  - Merchandising
  - Promotion
  - Manpower
  - Trade Development/Winners

◆ Clear 5 year Company focus
        Earnings

Earnings

Earnings

RJR Profit Effective Selling

Implications for RJR Field Sales

◆ <u>Can no longer chase volume/share regardless of the cost</u>

◆ Must redefine <u>winning</u> in the 1990's in broader business terms, focusing on <u>profitability</u> :

- <u>Does not mean</u> cut costs and save your way to prosperity!

- <u>Does mean</u> thinking of each dollar as an *investment*. As *business* people, we must make trade-offs and place bets (resources) against those investment opportunities that promise the greatest profitability return for RJR.

◆ Must leverage RJR's profitability and business expertise with the trade to help solve their pressing category management needs:

- Category Profitability

- Category Professional

RJR Profit Effective Selling

Profit Effective Selling is a strategic sales initiative which will :

◆ Enable Field Sales to evaluate and invest RJR resources at the account level in a manner which maximizes both Retailer and RJR profitability.

◆ Position Field Sales as the premier Category Profitability Professionals -- knowledgeable and astute business people who are tough but fair and who always maintain their focus on win-win [2] profitable results for both parties.

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The New *RJR Profit Effective Selling* Strategy . . .

The Category Professional will be required to analyze and make recommendations, on an <u>account-by-account</u> basis, to ensure a product / promotion / merchandising mix which maximizes return and minimizes investment for the customer and RJR.

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Selling Tactics Will Change . . .

◆ Current: Selling Industry RDA Monies
Future: Selling Category Profitability

◆ Current: Selling "Sales"
Future: Selling Return on Investment

◆ Current: Selling Gross Profit Dollars
Future: Selling Net Profit Dollars

◆ Current: Selling "Margins"
Future: Selling "Penny Profit" and Tier Management

◆ Current: Selling Space
Future: Selling Space and Inventory Management

◆ Current: Selling Additional Distribution
Future: Selling SKU Management

◆ Current: Selling Cigarette Category
Future: Selling Benefit of Cigarette Category Relative to All Categories

◆ Current: Selling to Meet Retailers Needs
Future: Selling to Meet Retailers, Consumers, & RJR Needs

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The *Profit Effective Selling Process*
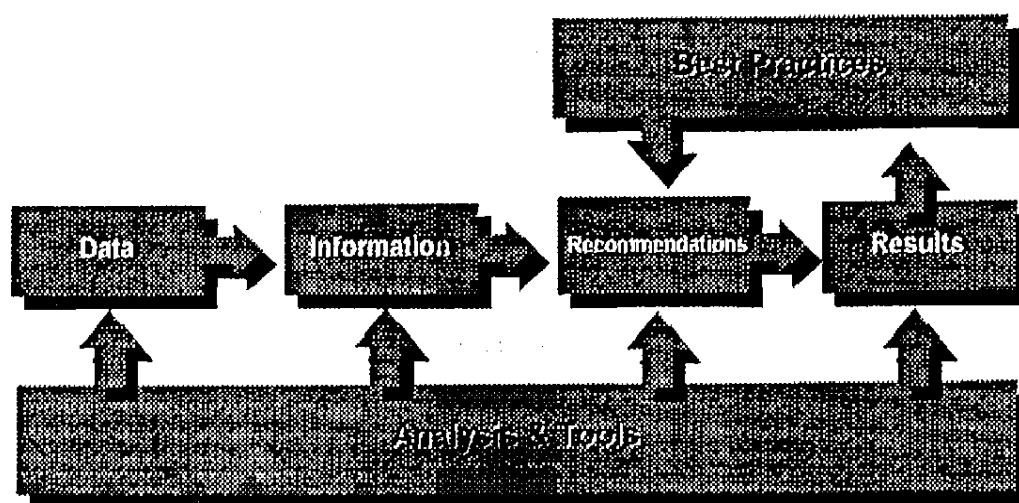
- Communicate new strategy and tactics to Field Sales
- Employ "Best Practices" for shared learning and setting standards
- Provide Field Sales with the appropriate information, skills training, and . . .

The Selling Tools required to support their role as <u>Category</u> <u>Professional</u>

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Profit Effective Selling
CatPro

RJR CatPro Tools

ANALYSIS	SPACE MANAGEMENT	PROFITABILITY	RJR RETURN
Category Analysis	SpaceTech POG	Category Profitability	RJR Pro
AIM Download	OkPOG	Penny Pro	Contract Analysis
	C-Store POG		BreakEven
	SuperMkt POG		
	Pack POG		

◆ <u>Support</u> our *Profit Effective Selling* strategy and tactics

◆ Initially targeted to needs of CAM's and SAM's

◆ Will evolve to future applications for DM's and SR's

Our focus is on <u>business analysis</u> and <u>profitable decision-making</u> which are the critical elements of the Profit Effective Selling process.
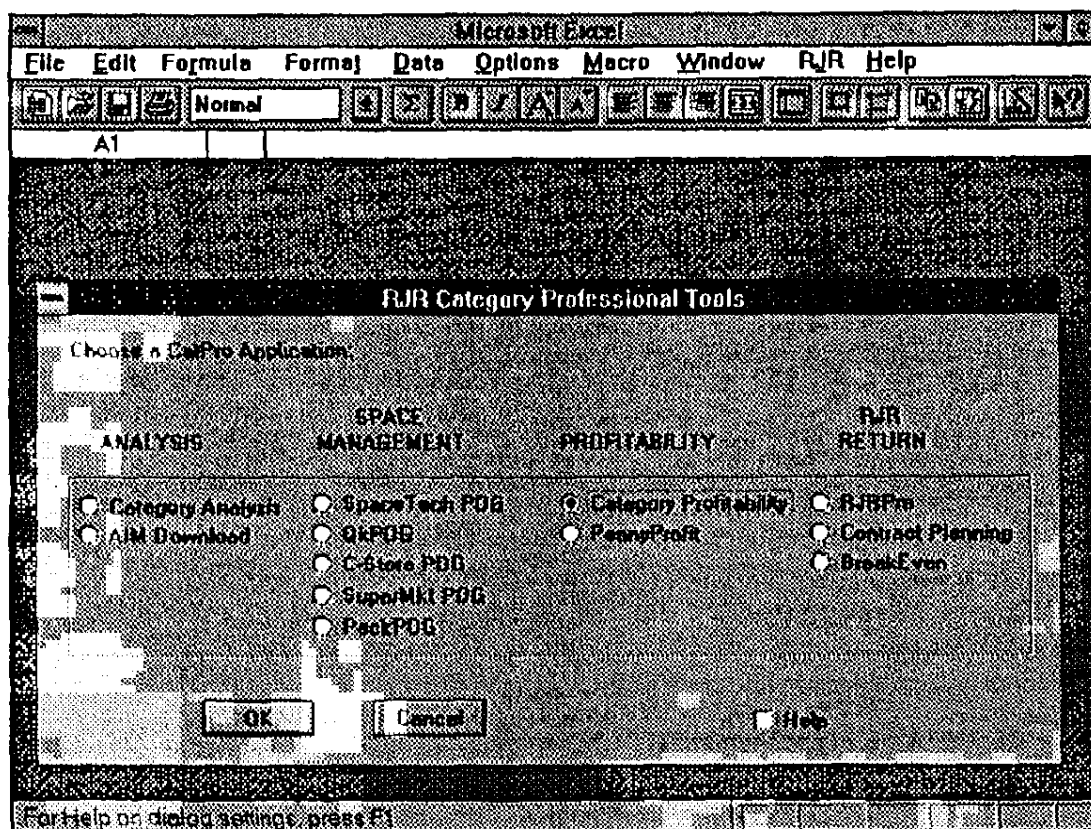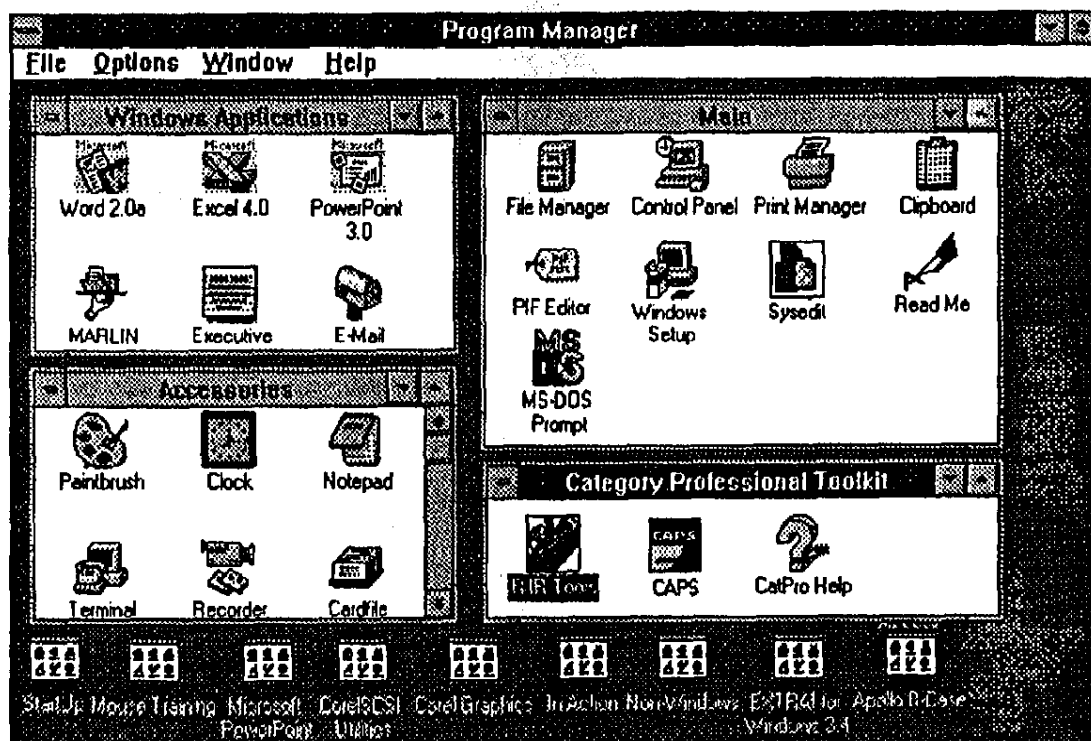
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Profit Effective Selling

CATPRO

Your Category Professional Toolkit

RJR has the tools necessary to meet the category management needs of all of our customers

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Program Manager

File   Options   Window   Help

Windows Applications

Word 2.0a   Excel 4.0   PowerPoint 3.0

MARLIN   Executive   E-Mail

Main

File Manager   Control Panel   Print Manager   Clipboard

PIF Editor   Windows Setup   Sysedit   Read Me

MS-DOS Prompt

Accessories

Paintbrush   Clock   Notepad

Terminal   Recorder   Cardfile

Category Professional Toolkit

RJR Tools   CAPS   CatPro Help

StartUp Mouse Training Microsoft CorelSCSI Corel Graphics In-Action Non-Windows EXTRA! for Apollo R-Base
PowerPoint Utilities Windows 3.4

Microsoft Excel

File   Edit   Formula   Format   Data   Options   Macro   Window   RJR   Help

Normal

A1

RJR Category Professional Tools

Choose a CatPro Application:

| | SPACE MANAGEMENT | PROFITABILITY | RJR RETURN |
| ANALYSIS | | | |

○ Category Analysis   ○ SpaceTech PDG   ● Category Profitability   ○ RJRPro
○ AIM Download   ○ QkPDG   ○ PennyProfit   ○ Contract Planning
 ○ C-Store PDG   ○ BreakEven
 ○ SuperMkt PDG
 ○ PackPDG

[OK]   [Cancel]   □ Help

For Help on dialog settings, press F1

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RJR Sales PC Applications

Cigarette Category Management - Selling Tool Definitions

Analysis	
Category Analysis	Complete analysis of category Vol. & Share performance & trends - Breaks Vol. & Share Data by : Item/Family/Tier/Manufacturer/etc.
AIM Download	Creates summary tables & graphs directly from AIM - Cat. Analysis - Presentation-quality output from AIM system (Function 185)
Space Management	
Space Tech POG	Carton Fixture Plan-o-gram Application (For Chain Accounts) - Features automated summaries, mass updates of contract $'s, etc.
QkPOG	Carton + SpringLoad Fixture Plan-o-gram Application - Designed for small chains & independents. Features Graphics
C-Store POG	C-Store Floor / Counter Plan-o-gram Application - Features retail display payment spreadsheet, and much more
SuperMkt POG	SuperMarket Floor Plan-o-gram Application - Features store layout / fixture placement options, and more
PackPOG	SpringLoad Fixutre Plan-o-gram Applicaion - Features fixture loading by Item or by Manufacturer
Profitability	
Category Profitability	Financial analysis of cigarette category, from retailer perspective - Features ability to work multiple "what-if" scenarios, and much more
PennyProfit	Quick calculation of profit impact - based on pricing strategies - Features profit summaries & graphs of various tier pricing
RJR Return	
RJRPro	Calculates RJR profits from retail accounts - before/after expenses - Features ability to work multiple "what-if" scenarios, and much more
Contract Planning	Worksheets for roll-up of Division / Region contract budget plans - Features ability to plan Chain / Sales Territory spending, and more
BreakEven	Calulates return on RJR special chain fixture investment (amortization) - Features forecasting of incremental share needed to recover costs

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RJR Sales Strategy -- PC Applications

Situation / Issue	Selling Tools
SKU Management	
> Item Selection	AIM / Cat. Analysis
> Inventory Control	AIM / Cat. Analysis
> Tier Profit Management	AIM / Cat. Analysis | Cat. Profitability
Retail Profitability	
> Penny Profit Strategy	PennyProfit | Cat. Profitability
> Competing Vs. Same Trade Class	AIM / Cat. Analysis | Cat. Profitability
> Competing Vs. Other Formats	AIM / Cat. Analysis | Cat. Profitability
> Impact Of RDA Payments	Cat. Profitability
> Pack / Carton Emphasis	Cat. Profitability
> Promotion Cost-Sharing	Cat. Profitability
> Promotion Effictiveness	Cat. Profitability
> Cigarette Category ACV	AIM / Cat. Analysis | Cat. Profitability
> Store Vs. Store Comparisons	AIM / Cat. Analysis | Cat. Profitability
Retail Space Management	
> Correct Fixturing	AIM / Cat. Analysis
> Space Allocation	AIM / Cat. Analysis
> Carton Plan-o-grams	SpaceTech / QkPOG
> Pack Plan-o-grams	QkPOG / PackPOG
> Store Floor-Plan Plan-o-grams	C-Store POG / SuperMkt POG
RJR Profitability	
> Penny Profit Strategy	RJRPro
> Impact Of RDA Payments	RJRPro
> Pack / Carton Emphasis	RJRPro
> Promotion Cost-Sharing	RJRPro
> Promotion Effictiveness	AIM / Cat. Analysis | RJRPro
> Store Vs. Store Comparisons	AIM / Cat. Analysis | RJRPro
> Merchandising Pre / Post Effect	AIM / Cat. Analysis | RJRPro
> Promotion Pre / Post Effect	AIM / Cat. Analysis | RJRPro

" Profit Effective Selling "

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Retail Call Analysis
Applying "Profit Effective Selling" to the Retail Call Environment

■ Change of selling focus

■ Establishing category professional role

■ Co-Marketing decision based on data

■ Providing new services in category management

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Call Analysis
The Objective

■ Understanding the changing business at store level

■ Selling/Implementing best RJR programs

■ Applying the concepts of:

  - SKU and space management
  - Net category profitability
  - High return promotion management

■ Making informed decisions on RJR spending/profit impact

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Call Analysis
The Process

- Key Brand sales analysis (collect store sales data)

- Calculate major brand family and price tiers by manufacturer

- Evaluate RJR sales against competition

- Evaluate RJR merchandising and promotional programs relative to competition

- Determine best RJR merchandising and promotional strategies

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Call Analysis
Implementation

■ Determine recommendations are in line with budget availability

■ Review/sell recommendations to store decision maker

■ Establish time frames and parameters regarding follow through and evaluation of programs

Call Analysis
The Outcome

- Proper Merchandising
- Right Brand promotions
- Correct category emphasis
- Proper Pricing among tiers
- Inventory and SKU management
- Impactful POS
- A Plan for Profitable Volume Growth for RJR and the Retailer

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Call Analysis "Road Map"

■ Collect Information

■ Interpretation of Information

■ Store Observation

■ Develop Action Plans

■ "Informed" Presentation to Decision Maker

■ Immediate Implementation of Action Plans